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The MORTGAGE BANKER

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JULY, 1942

The Emphasis Will Be on Work at MBA's Convention This Year

YES, MBA is having a Convention this year—our 29th. The dates are September 30th and October 1st and 2nd at the Edgewater Beach Hotel in Chicago, one of the most centrally-located convention cities in the country. It will be easy for you to reach and means a minimum utilization of transportation facilities.

The broad form of MBA conventions of recent years remains the same. It will be a three-day meeting, the first and third days will be devoted largely to general sessions with the second day devoted entirely to Clinics.

But with that the similarity ends. The Convention this year is going to be all work. Hard work. More than ever before this MBA Convention must mean something. It will actually be an annual meeting and wartime conference.

We know that it can. Not many groups in American economic life are more vitally important to wartime civilian activities than our own. Our members have been and are playing a neces-

sary role in financing war housing. They are contributing much to making rent control work as it should work. Their interest in property management, real estate maintenance and civilian housing is important to the successful prosecution of this war. They represent a strong factor in maintaining a stable FHA loan structure and they will be increasingly important in the smooth and equitable operation of the Soldiers and Sailors Civil Relief Act.

We must make the most of every Convention minute this year. We want every MBA member to come determined to contribute to making our 29th Convention what it must be—a hard-hitting, practical and useful conference on the mortgage, housing, real estate and financing problems created by the war. More specific announcements of the speakers and their subjects will be sent you shortly. In the meantime consider our Convention this year as another effort of the kind all good Americans are making to contribute something tangible and specific toward winning the war. *We want your help.*

**Set these dates aside now—September 30, October 1 and 2.
29th MBA Convention—Edgewater Beach Hotel in Chicago.**

Charles A. Mullenix Named for Next MBA President

CHARLES A. Mullenix of Cleveland is the official nominee for president of the Mortgage Bankers Association of America succeeding Frederick P. Champ of Logan, Utah, it was announced by Dean R. Hill, chairman of the MBA nominating committee, at the regular Spring meeting of the MBA board of governors June 20th in Chicago. Mr. Mullenix will be voted on at the MBA 29th annual Convention in Chicago, September 30 and October 1 and 2.

Mr. Mullenix is president of The Cuyahoga Estates Company, was the first president of the Mortgage Bankers Association of Cleveland and is a former president of the National Association of Apartment House Owners. He is a member of the Cleveland Real Estate Board, Appraisal Institute of the National Association of Real Estate Boards, a trustee and former president of the Apartment House Owners Association of Cleveland and was a governor of the Ohio Real Estate Association for three years.

He is a native of Ohio, went to Wittenberg College and entered business in the farm machinery manufacturing field. He later became assistant superintendent of buildings for the Cleveland Board of Education and organized his present company in 1924. He is mortgage loan correspondent for the Berkshire Life Insurance Company of Pittsfield, Mass., and Phoenix Mutual Life Insurance Company of Hartford.

He joined MBA nearly a decade ago and was elected to the board five years later. He has been one of the most active MBA members in recent years and has served on the finance, executive, local associations and federal legislative committees. He was chairman of the membership committee in 1937-38 and has acted as liaison officer for the publicity

and tax committees. He was regional vice president last year and served as vice president this year as well as chairman of the publicity and convention program committees.

Mr. Mullenix was a member of the group of national officers who made the nationwide Mortgage Conference and Clinic tour in March, April and May. He spoke on rent control in 10 of the 18 cities covered.



CHARLES A. MULLENIX

A few nights ago 1,800 property owners met in Hotel Statler in Cleveland to protest setting July 1, 1941, as the ceiling date for rents in that city. It was a lively session. Those who speak at meetings like this in wartime are usually torn between two desires—to speak their honest convictions or to hedge for fear of being thought unpatriotic.

These excerpts from the address of the

MBA presidential nominee at that meeting will give a better insight into the thinking of the man who is scheduled to head the Association than anything we could write:

"I'm an American above all other considerations, politically and otherwise. I'm the kind of American who will support all war-time policies, domestic or foreign—but I'm opposed to the administration of a policy when it is unfair and not in the public interest.

"Administration of a policy such as that calling for the establishment of July 1st, 1941, as the ceiling date for rents in the Cleveland area, when the date set for Philadelphia and many other areas is March 1st, 1942, is unfair, discriminatory, and not supported by sound judgment . . .

"The average cost of operating apartment buildings approximated 65 per cent of rent collections in 1941. The reduction forced by the July 1st, 1941, ceiling coupled with the sharp increase of operating costs will raise the percentage to 75 to 80 per cent of collections.

Says rent control necessary during the war emergency

"A mortgage loan on an apartment property cannot be considered safe if operating expenses, including taxes, exceed 45 per cent of rent collections. So now the mortgagee and the tax collector will compete for the inadequate earnings. Let me quote from the expressed purposes of the price control act . . . 'to protect persons with relatively fixed and limited incomes, consumers, wage earners, investors, and persons dependent on life insurance, annuities and pensions, from undue impairment of their standard of living.

"How many of the 80,000 to 100,000 owners of rental property in Greater Cleveland have accumulated such property out of life savings to get an income from the investment to provide them with the necessities of life . . . and does the administration of the Act protect these investors who have provided themselves with their own pensions or annuities? It does not.

"The Price Control Act provides that the Administrator . . . before issuing any regulation or order under the foregoing provisions of this sub-section . . . shall,

so far as practicable, advise and consult with representative members of the industry which will be affected by such regulation or order.' The Administrator—I mean the Administrator in Washington—did not consult with any committee representing the industry in Cleveland, nor with any public officials of Cleveland, before establishing July 1st, 1941, as the ceiling date for this area . . .

"I'm for rent control during the emergency. I believe the great majority of property owners appreciate its need and are most anxious to cooperate but we expect it to be administered equitably with other price controls and with due regard to the investment in and the cost of operating rental housing.

Real Estate Has Not Been Treated Fairly

"Wages have advanced more rapidly than the increase in the cost of living. There is no ceiling yet. Industry, according to earning reports, has been permitted to do handsomely by itself and has been permitted to amortize factory building over a period of five years under certain circumstances.

"The farmer is getting his share in a big way. Real estate, the foundation of wealth, is struggling along with slight consideration of its plight.

"We are Americans—and we have a war to win. The American way is to do things in an orderly fashion. Let's follow through on that basis both in our efforts toward a successful conclusion of the war and our efforts to correct this most serious rental situation . . ."

**Make Your Plans
Now for the
29TH ANNUAL
MBA CONVENTION
Edgewater Beach Hotel
Chicago
September 30
October 1 and 2**

Herold G. Woodruff of Detroit Named for MBA Vice President Next Year

Herold G. Woodruff of Detroit is the nominating committee's choice for vice president for the next Association year. Mr. Woodruff is serving as regional vice president for the North Central States area this year.

Mr. Woodruff is a native of Michigan, went to Cleary College in Ypsilanti and



HEROLD G. WOODRUFF

graduated from the Detroit College of Law in 1917. From that year until 1922 he was with the Peninsular State Bank as appraiser and later joined the Union Trust Company of Detroit. There he was in charge of the property management department and was later made a vice president. He is now a mortgage correspondent and managing agent for life companies and operates his own firm in Detroit.

In the last war, he was a Lieutenant of Infantry. He is a past president of the Detroit MBA and has been active for many years in the chapter. He was elected to the MBA board of governors in 1935. He took a leading part in the arrangements for MBA's Detroit Convention in 1939. Last year he served as chairman of the membership committee.

Of the seven members of the board of governors whose terms expire this year, only one was eligible for re-election under the terms of the present by-laws. He is G. H. Galbreath, president, G. H. Galberath Company, Tulsa. The nominating committee named him for re-election. In addition the following were nominated for the board for the term expiring in 1946; L. E. Mahan, president, L. E. Mahan & Company, St. Louis; Stanley H. Trezevant, president, Stanley H. Trezevant & Company, Memphis, and W. A. Clarke, president, W. A. Clarke Mortgage Co., Philadelphia.

Three additional nominations were made for terms expiring in 1946 and will be announced after their acceptances have been received.

Mr. Mahan and Mr. Trezevant were former members of the board and have been serving as regional vice presidents this year. Mr. Mahan organized the Legion of Mortgage Bankers and Mr. Trezevant heads the organization. Mr. Clarke is also a former member of the board and has served as chairman of the MBA finance committee this year.

Regional Vice Presidents

Mr. Hill's committee also submitted a slate of nominations for regional vice presidents to serve for the year beginning with the close of the 1942 Chicago Convention.

Aksel Nielsen, executive vice president, The Title Guaranty Company, Denver, was renominated for regional vice president for the Mountain States area and Wallace Moir, president, Belmont Company, Los Angeles, was renamed for a similar post for the Pacific Coast area.

Nominations for regional vice presidents for the Southwest, North Central, Eastern and Southern areas were also submitted and will be announced after their formal acceptances have been received.

The Post War Period for Mortgages May Be Better Than We Think Now

By J. E. HATCH

WHILE every good American these days is thinking solely in terms of winning the war, it is only natural that at times his thoughts cannot help but turn to speculating on what the world we live in will be like after the last gun has been fired.

Mortgage bankers are no different from others. Most of us, at some time or other during recent months, have wondered what the effect of the possible abandonment and foreclosure of homes in defense areas will be—and, further, what might be the effect on valuations of adjoining property and in fact all real estate property values.

Even the most optimistic do not believe that all the men now engaged in war work in our area can be employed at the conclusion of our war. Figures recently obtained on employment in aircraft, shipbuilding, and related industries indicate that by September 15 of this year over 300,000 men will be working in these industries alone, and that the peak employment will approach 350,000.

On this basis a large percentage of our total industrial employment will be engaged in war production. Even if we grant that the post war period will develop a large demand for durable consumers goods and that shipbuilding will continue for many years after the war, it must be reckoned that this demand will be along lines foreign to war production. Assuming that aircraft plants can be eventually converted to the production of other goods or small planes for civilian use, the re-tooling will occupy a considerable period of time.

The conclusion is obvious that our present supply of housing which will undoubtedly be greatly augmented within the next year will be more than adequate to care for our post war needs. The release of men from military service will be no more than a small factor in the absorption of the surplus since these men must find employment and many of them are single.

In spite of the gloomy aspects of this situation there are several favorable factors which did not exist in our last de-

WITH an eye cocked primarily at his own city of Los Angeles where war activities are heavily concentrated, Mr. Hatch speculates on some possible post war results that even now worry some mortgage lenders. He sees an over-supply of houses but on the whole he is sure we are going to avoid much of the grief that has followed previous emergencies. He is vice president of the Security-First National Bank of Los Angeles.

pression period. A large share of the financing of our recent defense housing construction has been done on FHA insurance. This will mean that houses in the same neighborhood will be of about the same age and will carry approximately the same unpaid balance of debt.

A Big Post War Problem Will Be What to Do With Surplus Defense Housing

By DAVID P. YOUNG

THE effect of defense housing on values in general in the post war adjustment is not the most pressing

THIS is hardly the time to start worrying about it, but as the situation appears now, all this emergency housing is likely to exert a great influence on real estate after hostilities have ended. Mr. Young heads a savings and loan association in Seattle.

mortgage problem of today because the solution to it will come after we win the

The FHA and other federal agencies will be closely coordinated and there will be no urge, in the case of properties owned or acquired by any governmental agency, for rapid liquidation. Governmental agencies will not be pressed for funds required for maintenance work and it is to be expected that such work will be done and that wholesale deterioration will not be permitted.

Further, the interest of the government agencies will be to maintain the price structure even though properties are held unoccupied for long periods. The very fact that FHA loans are for a high percentage of value will be beneficial to the extent that price cutting to within a very narrow margin of the debt will not result in offerings at half or less of the value as of the date the loan was made. This occurred during the last depression and it might be said that the top of the market was marked by the amount of the first loan.

Our oversupply of housing may be far greater than any previously experienced. The drop in market prices will probably be less than was the case in the last depression. Sore spots will appear in those housing colonies which have been financed by other than FHA methods but these should be minor in extent and in most cases will be somewhat isolated in location, so that the over-all effect in the housing market will not be serious.

war—and winning the war is our task right now. It is difficult of course to forecast the effect of defense housing on property values and on the immediate areas adjoining the various projects. Too many factors enter into the picture: the length of the war, the kind of a peace and which side dictates the peace.

Masses of defense housing, no matter how carefully planned and operated, have a depressing effect on adjoining property. There is lacking that indefinable something we call pride of ownership which it is impossible to create in a miscellaneous group of transient

tenants occupying government-owned houses.

Much can be accomplished through intelligent management and operation of defense projects. There will be no complaint so long as the war emergency keeps defense housing and privately-owned houses well occupied. The danger lies in the post war period when problems resulting from unemployment and general industrial dislocation confront the country. It is too much to expect that post war plans for absorbing all unemployment can be made effective without serious dislocation. Unless all sound thinkers are wrong, history will repeat itself and the post war period will bring with it another depression.

The fundamental law of value is based on that age-old law of supply and demand for which no substitute has ever been found. When supply exceeds demand, prices go down and there is nothing to do about it.

What will become of defense housing, if and when the show is over, and un-

employment and relief are again the big national problems? Will these defense houses become low rent houses, or perhaps in many instances *no rent* houses, in direct competition with privately owned houses? Or will a post war administration elected by the people to clean up the mess, decide to give defense houses outright to the community in which they are located and let them find the answer?

Or will the Government offer these properties at public or private sale so they will revert to individual ownership? Regardless of intelligent management and proper maintenance, the thousands of defense tax-free houses are in direct competition with privately owned houses. If and when the post war period develops wide spread unemployment and all the consequent evils, property values in general will suffer, and undoubtedly the areas immediately adjacent to and adjoining defense housing projects will suffer proportionately more.

It isn't the most optimistic picture, but it reflects the facts as we see them now.

Will Long-Term Loans at Low Rates and Small Amortization Be Sound?

By C. J. McLAUGHLIN

ARE twenty to twenty-five year real estate loans at low rates of interest and with small amortization *smart* loans from the standpoint of the investor? This type of loan has been greatly popularized by FHA in recent years, and competition has compelled large investors to consider them. Whether they prove to be satisfactory or not, time alone will tell. The following observations are directed only toward a consideration of long term loans other than those insured under the FHA.

Probably the first question the investor asks himself is: "Have I reasonable assurance that I will get back the principal of my investment?" His next question is "Will this investment return a fair yield?"

These questions bring up the type of investor. The very nature of the long-term loan, with monthly payments over a period of many years, the accounting

complexities involved, plus the fact that small dribbles of principal are returned monthly, to be dissipated by all but the most meticulous, all combine to make

THE author of this piece doesn't believe that the twenty and twenty-five year loans at low interest rates and small amortization we have been making are going to prove smart investments generally for the investor, but in his dissenting opinion can be found an encouraging note because he feels that these terms are some day going to be bettered. He is vice president of Western Service Corporation of Los Angeles.

this type of investment unattractive to the individual investor.

Only to a slightly lesser degree is such an investment unattractive to the usual private mortgage company, a large portion of whose earnings is from the turnover of its funds, with the fees and higher rates incidental. Banks are excluded from this field unless such a loan carries insurance under the FHA which for the moment is excluded. For all practical purposes we are left to consider the position of the large, institutional investor, generally a life insurance company. Is the type of loan under discussion a smart investment for the life insurance company?

Taking first the ultimate safety of the investment, the most logical security to be worthy of such terms undoubtedly is the single-family residence, new or nearly new, owner-occupied, the borrower being a qualified credit risk, and the security having the other usual qualifications of satisfactory location, design and construction. Also worthy of a long-term, low-interest rate, slowly-amortized loan is the first-class retail business property offering the additional security of an assignment of a long-term lease made by a responsible tenant such as a major chain store. The American home owner has long proved the stability of the former type of security; the stability of our home society has insured the continuing demand for well-located, well-managed retail stores.

On the other hand, loans of this character based upon residential multiple income properties, where obsolescence and depreciation are such vital factors, present an entirely different picture. Personally, I do not believe in or recommend making twenty-or twenty-five year loans on this type of security. A fifteen-year loan should be the maximum term and this only on new or nearly new improvements. By the same token, older buildings are not entitled to perhaps over a ten-year loan. With world affairs being as they are today, even ten years seems a long way to look into the future.

Within reasonable limitations, it should be no penalty on the owner to amortize his loan more rapidly. He is only paying his own debt, and if the property is fair security therefor, the income will provide for adequate payments. Many people told me during the foreclosure days that they wished they had been required to make larger principal

payments while the money was coming in so that they probably would not have lost their property. This should be good for the borrower as well as for the lender. The speculator is usually the one who objects most strenuously to the stiffer terms.

Regarding the yield from the investment, or the rate of interest, it is quite generally felt that the present rates on real estate security are at or near the bottom. Any lower rate would probably be uneconomic so far as the purchasers of

this type of investment are concerned. If that premise is correct, it would seem that any change which may take place from the present rates will be upward. If, over the next decade or so, interest rates were to be materially higher, the long-term contracts entered into at this time might well prove to be undesirable.

It appears to me that, with certain exceptions, twenty or twenty-five year loans with low interest rates and small amortization are not smart investments.

If You Can Do It, the Best Way to Go After Delinquents Is Personal Calls

By CARL F. BURRELL

WHAT should be the general policy of mortgage lenders in dealing with loans that are delinquent or otherwise in trouble during the emergency? The answer: Continue past methods that have been successful but possibly give this phase of our business a little more special and personal attention.

Right now is the time when we must use all of our ingenuity to keep our loans in good standing.

This is one subject which could be presented by any lender with full knowledge that he is qualified from experience because didn't we all become experts in this phase of our business during the period when prosperity was just around the corner?

Delinquents are always with us in good times and bad. My own delinquent list not only exists but stares me in the face every day. Our job is to make every possible effort to eliminate the repetition of the same names on next month's list.

We all use some of the same conventional and time-tested delinquent notices, penalty assessments, dunning letters, etc. Each of us also has some pet method which we have found in the majority of cases brings the best results. My pet is *personal contact*.

We are all mortgage bankers. Many of us use the title "Correspondent." This is fine as between our principals and ourselves but I am afraid many of us con-

tinue as a correspondent in our dealings with delinquent mortgagors. A phone call, a discussion of the problem in the office, or if possible, a friendly visit at the home which we are helping the mortgagor to purchase gives me much more

DELINQUENT payments may become a bigger mortgage problem in the months ahead than most of us realize. Mr. Burrell's experience indicates that if you have the staff and your volume is such that you can do it, *personal contact works wonders in cutting down your delinquent list. He is an MBA member in Los Angeles in business under his own name.*

satisfaction. The latter approach takes time but brings the best results.

We sometimes unconsciously assume the attitude: why should we chase delinquent borrowers? The answer is that we usually arrive at a complete understanding and the principals in our trouble case usually appreciate that we have gone out of our way a little to assist them. These people are some of our best business getters. After their difficulties are straightened out they never fail to recommend us to their friends and acquaintances.

Curing delinquents is a major part of

our business. If properly handled it is a money-maker for all of us. Did you ever experience difficulty in holding the insurance business of an ex-delinquent whom you have assisted to become a prompt borrower? I never did. Do you ever hear these people talking reduction in interest rate and refinancing? I don't.

There is of course a small group of chronic delinquents. The sooner drastic action is taken with them the better. However, the great majority can be satisfactorily straightened out through *personal contact* from which a complete understanding of the situation may be had.

Depending upon the circumstances, we may waive payments for a limited period and defer them to the maturity of the loan, we may feel justified in reducing the monthly payments to an amount which our mortgagor can pay or we often can arrange payments of one and a half instalments monthly until our loan is re-instated or many other programs. There is usually a feasible cure if the case is legitimate.

After the *personal contact* we usually know the conditions and are in a position to suggest a solution beneficial to our principal and our borrower and in addition have made a real friend.

In the Service

G. D. Brooks, manager of the investment department of The National Life and Accident Insurance Co. of Nashville, has been commissioned a lieutenant, junior grade, in the United States Naval Reserve and ordered to report for active duty July 1st at a training school at Harvard University. That means MBA's Insurance Company Advisory Committee will have to go along without Dan for the duration.

Fred E. Law of Chicago is with the Army in Washington and has closed the mortgage end of his business for the duration. Edgar A. Howard, secretary, General Mortgage Investments, Inc., Chicago, is in the Army but hasn't been assigned to a branch of the service yet. He thinks it will be the Quartermaster Corp. Lt. Harry A. Chetham, formerly with McKey and Poague, Inc., Chicago, is in the Army Air Force and has just been assigned to a new bombardment group in Salt Lake City.

The MORTGAGE BANKER

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JULY, 1942

The McNutt Letters

In the June issue of *The Mortgage Banker* we published a letter dated May 2 from President Frederick P. Champ to Paul V. McNutt, chairman of the War Manpower Commission, in which Mr. Champ outlined an offer by which MBA might act as an important source of manpower for filling certain governmental positions for which its members are particularly qualified.

Mr. McNutt has expressed his appreciation to the Association in offering the specialized services of its members in the war effort but feels that no special circularization or investigation of those available for positions and the special experience they have to offer is necessary at this time. He believes that the work of the National Roster of Scientific and Specialized Personnel, a part of the War Manpower Commission, will produce essentially the same result which Mr. Champ is seeking.

Before his reply was received, President Champ wrote Mr. McNutt a supplementary letter dated May 26, in which he elaborated on certain features of his plan. He said:

"Supplementing my letter of May 2, concerning the offer of this Association to act as liaison between your Commission and the mortgage lending industry in mobilizing men with specialized knowledge and skills in the fields related to our business, permit me to refer in some further detail to the possibilities encompassed in this offer, which was based upon action of our Executive Committee and has met widespread approval among our membership, many of whom are beyond the age limit specified for military service and are anxious to make their services available to the

Government in the specialized fields for which their training and experience qualify them.

"In general there are three classes of members in this category; first, those who are in a position to render full time service; second, those who, because of present obligations would prefer to render part time or advisory service without compensation, and, third, those who because of their standing and experience are in a position to render specific service, with or without compensation, in matters relating to the real estate and construction industries in special situations at particular locations for certain projects or activities which may not be of a continuing nature.

"As indicated in my previous letter, we hope that our organization, which functions throughout the United States and numbers among its membership everywhere leaders in its field encompassing mortgage lending and real estate in all of its aspects, including construction, planning, property acquisition and management, appraisals, engineering, and financing, may be of early and effective service to you and to the Nation in canvassing the industry which we represent and locating the men who are available and would be of special value because of their particular knowledge and experience in the activities which we represent.

"We have had the privilege in recent months of extending active cooperation in the field to a number of Government agencies, including the Federal Housing Administration and the War Production Board in the vital problems relating to war housing; to the Office of Price Administration in the investigation and administration of rent control, and to the Farm Credit Administration in consideration of control of practices and policies which contribute to inflation in land values. We hope that it may be our privilege to cooperate with your office as well and that you will command us if that is the case."

May 26, 1942

FREDERICK P. CHAMP.

Mr. McNutt's reply follows:

"This is in reply to your recent letter advising me of the willingness of the Mortgage Bankers Association of America to make its membership available in the war effort.

"The National Roster of Scientific and Specialized Personnel, which is a part of the War Manpower Commission, has made arrangements with the Selective Service System whereby it will shortly secure a complete statement of the qualifications and skills of all of the country's citizens between the ages of 18 and 65 who will be registered under the general registration program of the Selective Service System.

"No doubt practically all of the members of your organization are engaged in professional work of one kind or another and are well qualified to render special service in such war activities as housing, construction engineering, and property management. Since these arrangements to secure complete information concerning the qualifications of all professional men will provide a method of registering the special skills of the members of the Mortgage Bankers Association of America, it does not appear that any special circularization of the group at this time would be necessary or practicable.

"I assure you that as soon as the information concerning the qualifications of the mem-

bership in your fields is available, every effort will be made to see to it that their skills are most effectively utilized in the war effort. I appreciate very much the willingness of your organization to cooperate with the Government in the manner indicated in your letter."

June 4, 1942

PAUL V. McNUTT

And in reply President Champ wrote:

"I have your favor of the 4th, written in response to our letters of May 2 and May 26, in which we tendered the services of this Association in a specialized and expedited effort to make available for war service particular talent, experience, and skills among our membership.

"We regret that it does not seem practical to use the machinery we have available at this time, in view of the contemplated nation-wide survey of professional men. If you find, however, that our contribution to the war effort may be enhanced or expedited by a special survey on our part in advance of the completion of The National Roster of Scientific and Specialized Personnel, we hope you will not hesitate to call upon us, as it is the desire of this Association and its membership to be of maximum service in the emergency."

June 10, 1942

FREDERICK P. CHAMP

So there the matter rests. The plan sprang from a sincere desire to see if it were possible for MBA to make an important contribution to the wartime personnel problem. What future developments will occur cannot be foreseen.

DETROIT MBA DISCUSSES WAR DAMAGE INSURANCE

The possibility of having the government war damage insurance extended, possibly to August 1st, was suggested at the recent meeting of the Detroit MBA. At that time the forms and official information were not available and it was foreseen that a great deal of detail work would be necessary in notifying mortgagors and obtaining adequate coverage. According to Walter Gehrke, Chapter president, it appears that practically all institutional lenders will require the coverage but that the July 1st date did not give them sufficient time to secure it. Investigation by MBA revealed, however, that it was not possible to secure the extension of time.

Detroit MBA meetings, which in recent months have been heavily attended, continue to attract the crowds largely because of the importance of the wartime problems affecting lenders and the greater importance of members being fully informed of current thinking regarding them, according to Mr. Gehrke.

Location of the Land and Environment Are All Important in Valuation Now

By GEORGE A. COPLEN

OF all the components of value to be considered in appraising real estate, certainly location of the land is first. I remember hearing one of the leading appraisers on the Coast reach into the past and quote Francis Bacon's 45th Essay as follows: "He that builds a fair home upon an ill seat, committeth himself to prison." One might change the wording but little and find it fully applicable today. Certainly the influence of the location upon the value of the real estate (and therefore the soundness of the loan) is fundamental.

What are the usual factors and conditions that influence the value of the location of the land?

The first point to consider is its environment in relation to its present or proposed improvements and their use. To use an extreme example, a mansion built in the middle of Death Valley would have no practical use value. Nor would the same mansion be worth its cost if set down in a slum environment, or among the belching smoke stacks of the industrial section.

The importance of a suitable and well-protected environment cannot be over-emphasized, because these factors have long-range influence on value and it is the future stability of value with which the mortgage lender is most concerned.

The mortgage appraiser should examine critically the existing zoning regulations and plat restrictions to be sure of continued protections from harmful encroachments. Most of us have experienced the effect of commercial intrusion upon first residence areas. Deterioration, due to the change in the quality of occupancy, naturally follows—with the consequent destruction of good environment. Against the spectacle of general rapid neighborhood depreciation, the vision of high values, long sustained, stand out plainly in these properly-restricted neighborhoods which we have had the foresight to protect.

Suitability and usefulness of the site for the particular improvements is equally

important to the mortgage lender. Consider again the mansion in the desert. It merely serves to emphasize a condition which so often exists to influence value but in a lesser degree.

THE three basic factors that must be followed in appraising property for mortgage purposes are the same as they have always been for skilled evaluators—location, improvements and borrower, says Mr. Coplen. He is vice president of Continental, Inc., of Seattle.

I remember clearly a loan I made in the late 1920's which illustrates the point. A prospective borrower took me to see a beautiful tract a few miles north of our city. It had a sweeping view of Puget Sound, fine soil, and was a beautiful natural homesite. I was carried away by its natural beauty and its other qualities which seemed important to me then. I made the requested loan to finance a \$10,000 home. A few years later after repossession, I had ample opportunity to reconsider the valuation of the location, and to realize that its usefulness was impaired by lack of transportation facilities.

MBA's CONVENTION CLINICS

will examine wartime mortgage problems that most vitally affect you today. Come prepared to learn how to meet and profitably solve the problems created by the war.

ties, distance from the City, lack of protective restrictions, etc. It was finally sold at a price which reflected these deficiencies.

The physical and geographical aspects of the site may add to or detract from its value according to the relative influence upon the intended use. For instance, a residence lot enjoying a fine view would have more value and of a more lasting quality than would the same lot without it. However, the same lot might suffer a loss of value were it necessary to build dangerously close to the edge of a steep slope in order to gain the view.

Location of the security property is of fundamental importance in mortgage appraisals.

There are but three basic factors to be considered in the appraisal of property for mortgage purposes: the location, the improvements, and the borrower. Each contributes a very important part to the soundness of the loan. Impair any one of the three basic factors and you have impaired the soundness of the loan.

MANY MEMBERS ADOPTING PAYROLL ALLOTMENT PLAN

About 85.9 per cent, or 237, of the member firms of MBA reporting in our survey just concluded, have adopted the payroll allotment plan for purchasing war bonds and stamps, another 12.3 per cent, or 34, have not yet acted and 1.8 per cent, or 5, are giving consideration to the plan. President Champ announced at the board of governors meeting in Chicago.

An average of 89.66 per cent of these member firms' employees are participating in the plan.

"We are greatly pleased that our member firms are adopting this sensible method of systematic conversion of income rather than savings into war savings bonds," Mr. Champ said. "I feel that it is only by converting income that one of the proper functions of war financing—that is control of war prices—can become fully effective.

"This program, if applied generally to salaried people and wage earners who are receiving the major part of the estimated twenty billion dollar increase in the nation's payroll, should be effective in controlling inflation. Conversion of savings will have little, if any, effect on the inflationary trend in the price level."

